



BOARD OF EQUALIZATION

BUSINESS TAXES COMMITTEE MEETING MINUTES

HONORABLE DEAN F. ANDAL, COMMITTEE CHAIR

450 N STREET, SACRAMENTO

MEETING DATE: JULY 29, 1999, TIME: 9:00 A.M.

ACTION ITEMS & STATUS REPORT ITEMS

Agenda Item No: 1

Title: Proposed Regulatory Changes to Clarify the Application of Tax to the California Redemption Value (Regulation 1589.5)

Issue/Topic:

Should proposed Regulation 1589.5 be adopted to clarify that charges to consumers for the California Redemption Value (CRV) are not subject to tax?

Committee Discussion:

Staff provided background and history of the legislation that created and amended the California Recycling Act, stating the opinion that adoption of the proposed new Regulation 1589.5 would require statutory authority. Mr. Frederick Richman of O'Melveny & Myers addressed the committee, urging approval of proposed Regulation 1589.5, stating his view that the charge for CRV is not part of the retailer's gross receipts and therefore should not be subject to tax. Discussions followed regarding legislative intent and the nature of gross receipts.

Committee Action/Recommendation/Direction:

The committee approved the adoption of industry's proposal, and directed staff to request authority to publish new Regulation 1589.5, *Redemption Payments on Beverage Containers*, as proposed by industry. A copy of the regulation is attached.

Approved: /s/ Dean F. Andal
Honorable Dean F. Andal, Committee Chair

/s/ J. E. Speed for
E. L. Sorensen, Jr., Executive Director

BOARD APPROVED

at the 7/29/99 Board Meeting

/s/ Janice Masterton
Janice Masterton, Chief
Board Proceedings Division

CW: 7-16-99

Regulation 1589.5 Redemption Payments on Beverage Containers.

Sales and use taxes do not apply to the amount representing the redemption payment on a beverage container under the California Beverage Container Recycling and Litter Reduction Act (commencing with Section 14500 of the Public Resources Code), provided the dealer separately states and identifies that amount in all advertising of beverage products and on the shelf labels of the dealer's establishment and on the customer cash receipt provided to the consumer.